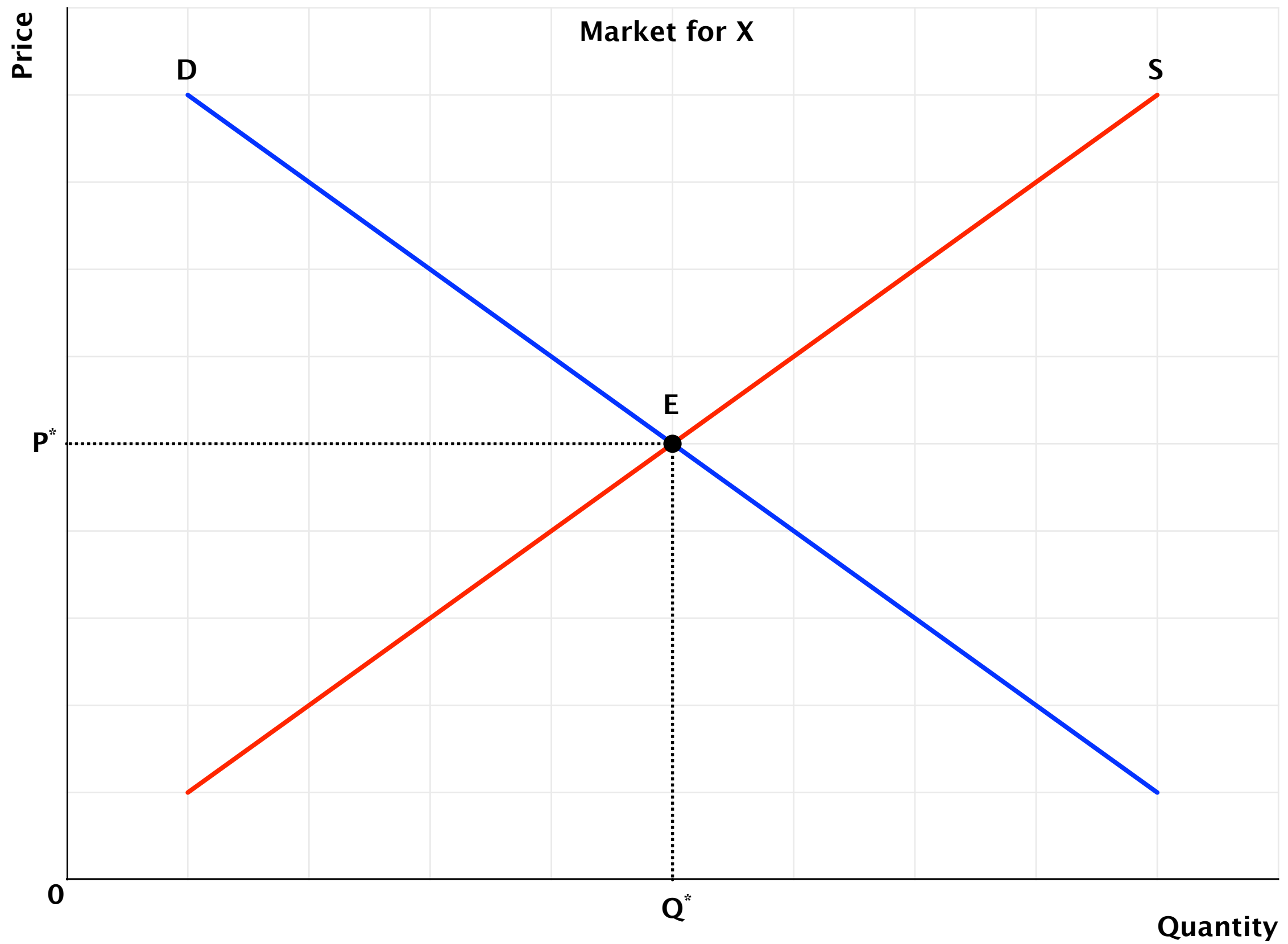


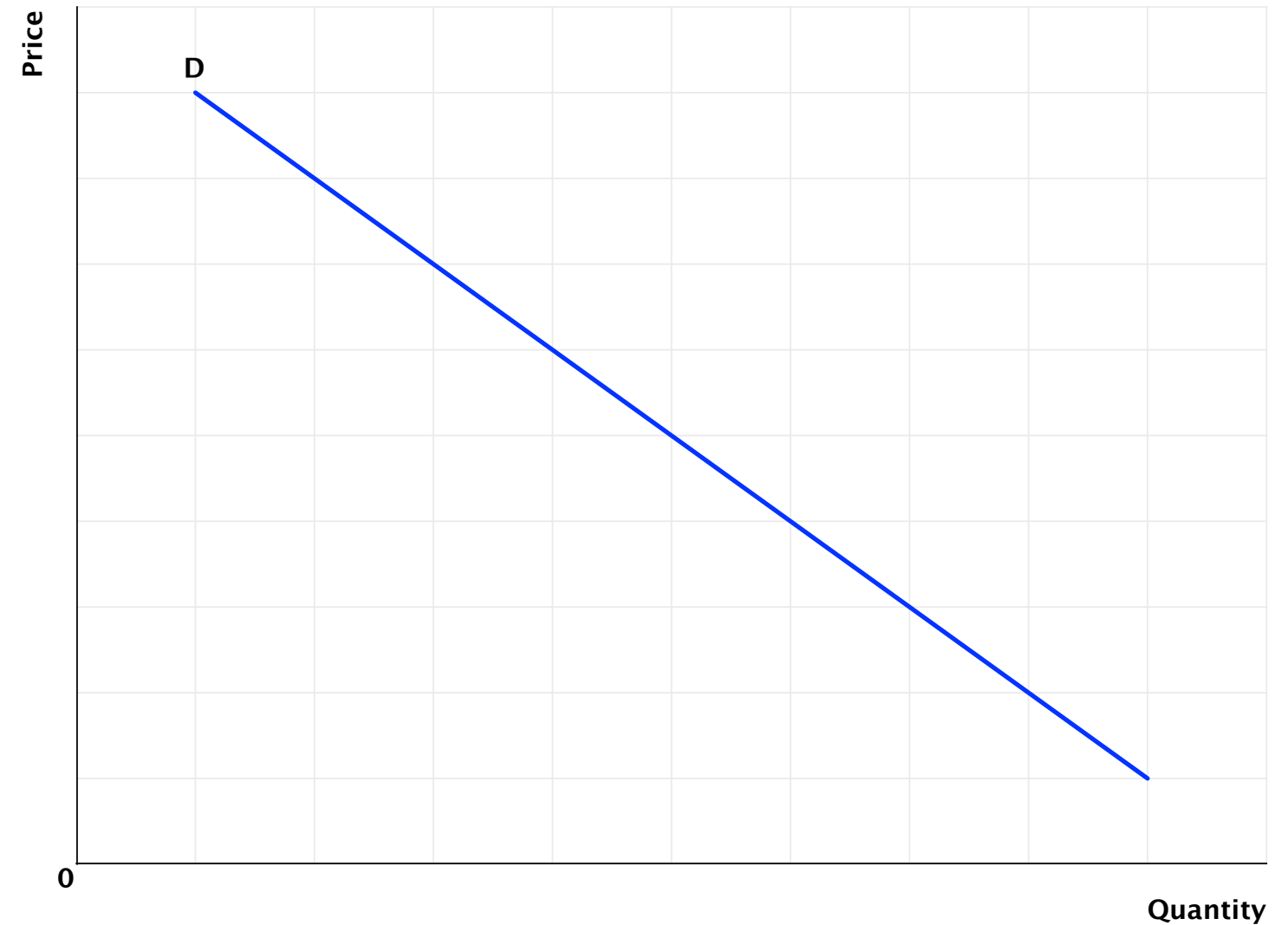
# Introduction to Supply & Demand

The Basics

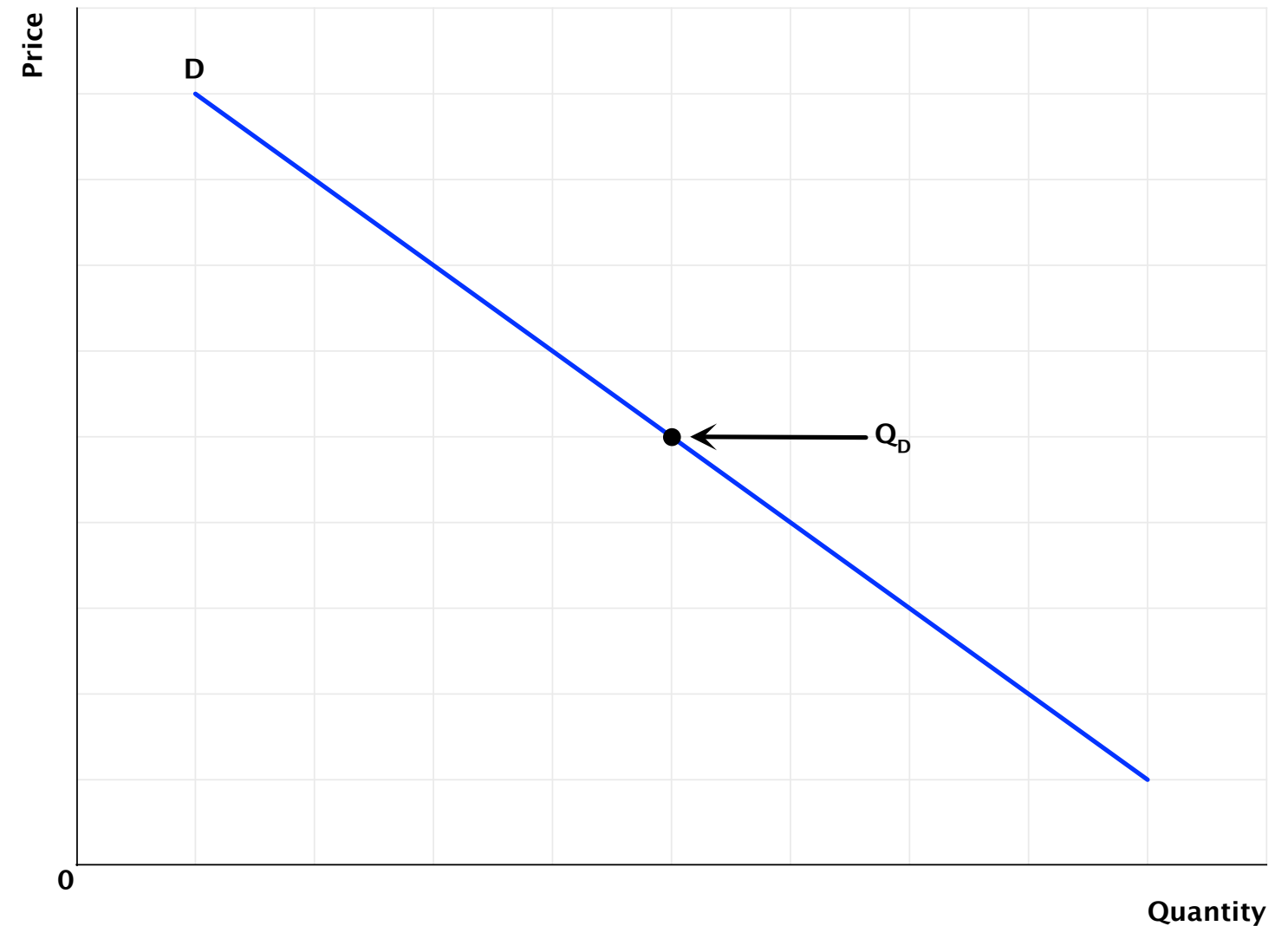


- **Demand** relates to consumers (the people buying stuff).
- **Supply** relates to producers (the people making and selling stuff).

- **Demand Curve:** a graph showing how the quantity of a good or service demanded changes with a change in price.
- How many people are willing and able to buy at all the different prices.

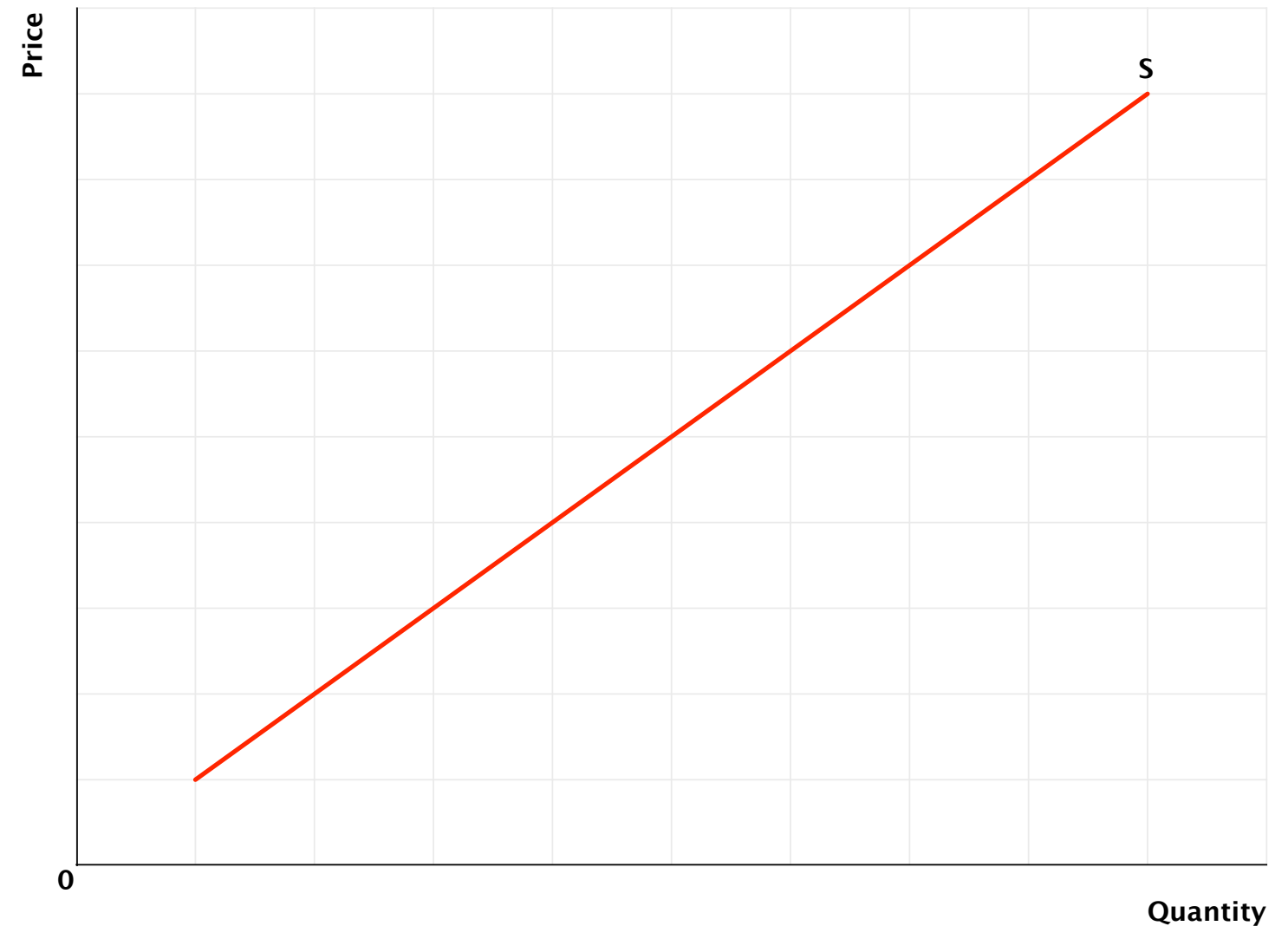


- **Quantity Demanded:** the amount of a good or service that consumers are willing and able to buy at a given price.
- $Q_D$  is one point on a Demand Curve.
- How many people are willing and able to buy at one specific price.

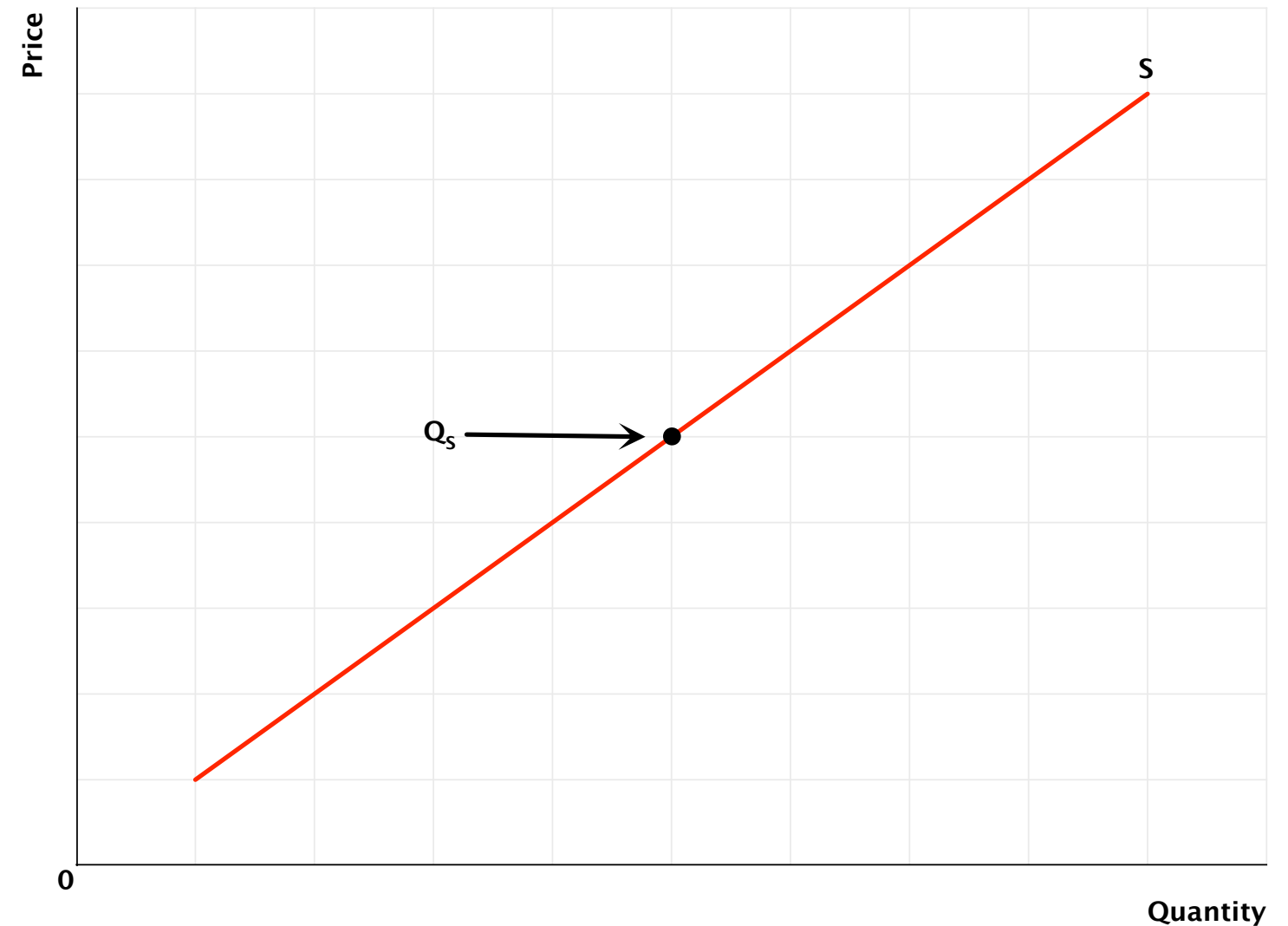


- **Law of Demand:** generally, the quantity demanded decreases as price increases (negative relationship).
- Generally speaking, people are willing and able to buy more stuff when the price goes down (and vice versa).

- **Supply Curve:** a graph showing how the quantity of a good or service supplied changes with a change in price.
- How many people are willing and able to sell at all the different prices.



- **Quantity Supplied:** the amount of a good or service people or businesses are willing and able to provide at a given price.
- $Q_s$  is one point on a Supply Curve.
- How many people are willing and able to sell at one specific price.

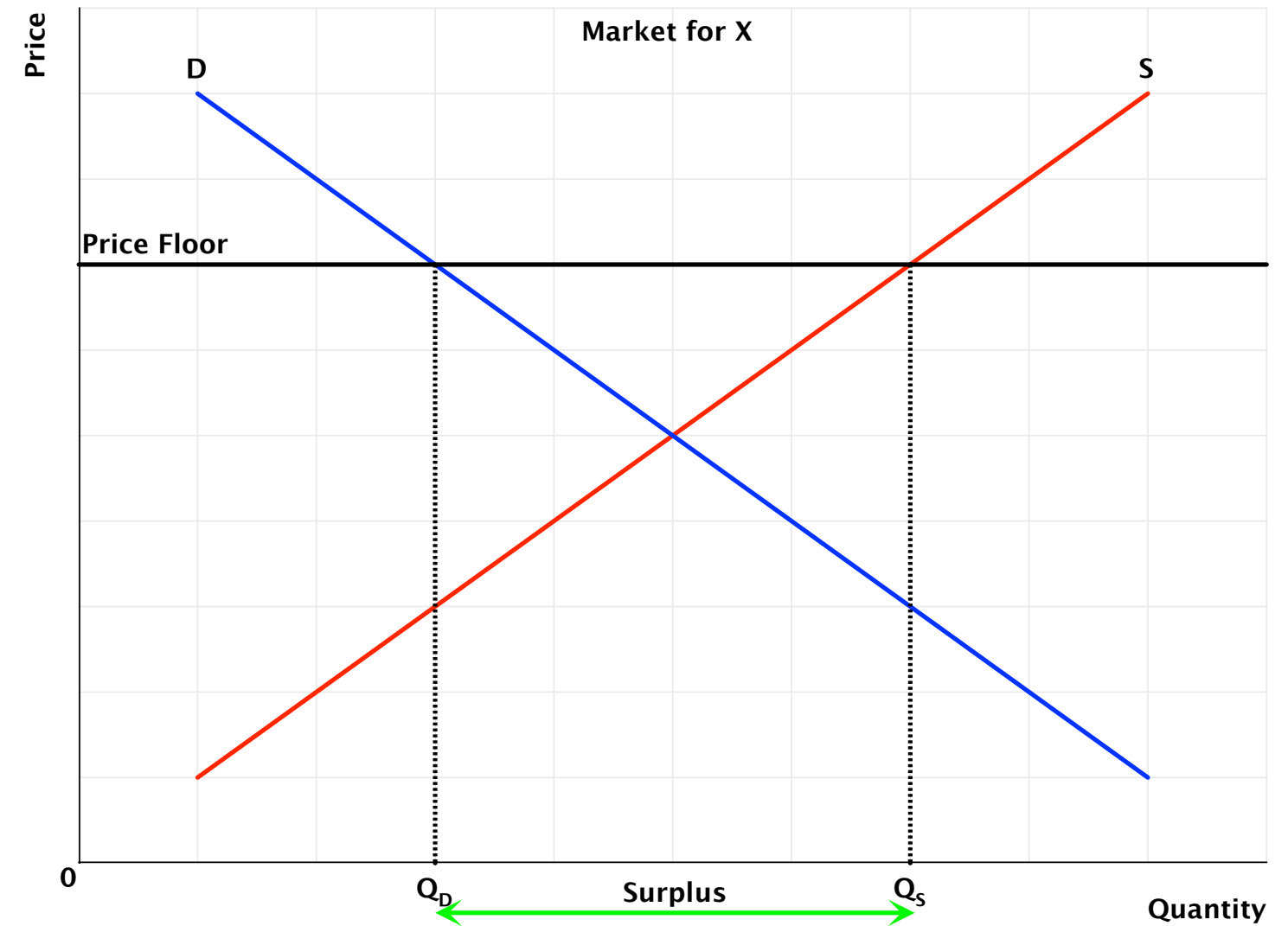




- **Law of Supply:** the quantity supplied increases as price increases (positive relationship).
- Generally speaking, people are willing and able to sell more stuff when the price goes up (and vice versa).

- **Equilibrium Price:** the price at which the quantity offered for sale equals the quantity people are willing to buy.
- **Equilibrium Quantity:** the quantity at which the price demanded by consumers equals the price offered by businesses.

- **Surplus:** when quantity supplied is greater than quantity demanded.
- Related to **Price Floors**, which are externally imposed minimum prices (also called Minimum Prices or Floor Prices).



- **Shortage:** when quantity demanded is greater than quantity supplied.
- Related to **Price Ceilings**, which are externally imposed maximum prices (also called Maximum Prices or Ceiling Prices).

